Bonneville Power Administration
Power Business Line

2002 Supplemental Power Rate Proposal Appendix

WP-02-E-BPA-68

February 2001

BONNEVILLE POWER ADMINISTRATION

THE SUPPLEMENTAL 2002 GENERAL RATE SCHEDULE PROVISIONS

A. Introduction

The following section (Part B below) contains Bonneville Power Administration's (BPA) proposed supplemental revisions to BPA's proposed 2002 General Rate Schedule Provisions (GRSPs) for power rates.

The proposed GRSPs were prepared in accordance with BPA's statutory authority to develop rates. These schedules and 2002 GRSPs shall be applicable to all BPA contracts, including contracts executed both prior to, and subsequent to, enactment of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). All sales under these rate schedules are subject to the following acts as amended: the Bonneville Project Act, the Regional Preference Act (P.L. 88-552), the Transmission System Act (P.L. 93-454), the Northwest Power Act (P.L. 96-501), and the Energy Policy Act of 1992 (P.L. 102-486).

BPA's 2002 proposed revisions to the GRSPs will supersede BPA's 1996 rate schedules, except for the FPS-96 rate schedule. The FPS-96 rate schedule continues in effect as modified in Docket No. FPS-96R. BPA proposes that its revised GRSPs become effective upon interim approval or upon final confirmation and approval by FERC. BPA currently anticipates that it will request FERC approval of its revised GRSPs effective October 1, 2001.

B. Summary of 2002 Wholesale Power Rate Schedules, 2002 GRSPs, and New 1996 GRSPs

BPA'S SUPPLEMENTAL 2002
GENERAL RATE SCHEDULE PROVISIONS
FOR POWER RATES
INDEX OF REVISIONS TO THE
GENERAL RATE SCHEDULE PROVISIONS

F. Cost Recovery Adjustment Clause

There are three sets of conditions under which rate increases under Cost Recovery Adjustment Clause (CRAC) may trigger. The first is the Load-Based CRAC (LB CRAC), which triggers based on BPA's costs of augmentation. The second is the Financial-Based CRAC (FB CRAC), which triggers based on the generation function's forecasted level of accumulated net revenues. The third is the Safety-Net CRAC (SN CRAC), to be implemented if the financial situation falls to a point where the first two components are not sufficient to avoid missing a Treasury payment.

1. Load-Based Cost Recovery Adjustment Clause

A. Application of the Load-Based Cost Recovery Adjustment Clause

The LB CRAC is a percentage rate adjustment based on BPA's cost of augmentation. A set of forecasted LB CRAC percentages are contained in the Final Supplemental Proposal for the WP-02 Power Rate Case. As is outlined in these GRSPs, these forecasted LB CRAC percentages will be updated at specific points, and BPA will also determine whether there was an over or under collection of LB CRAC revenues.

The LB CRAC applies to power customers under these firm power rate schedules: Priority Firm Power (PF) Preference, Exchange Program, and Exchange Subscription], Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, Residential Load (RL-02), New Resource Firm Power (NR-02), and Subscription purchases under Firm Power Products and Services (FPS). The LB CRAC does not apply to Pre-Subscription rates, the 900 aMW financial portion of the Residential Exchange Program (REP) Settlement, or Irrigation Mitigation sales. The LB CRAC does apply to Slice purchases and the 1,000 aMW power sale portion of the REP Settlement, including where power sales are converted to financial benefits under the Settlement.

B. Definitions

(1) (AAMT) "Augmentation Amount" means the monthly amount of augmentation in aMWs BPA must yet acquire to serve loads subject to the LB CRAC.

(2) (ACTUALLBCREVREQ) "Actual LB CRAC Revenue Required" means the actual LB CRAC revenues required to cover the actual augmentation costs during the six-month period. This will be established for Slice and Non-Slice separately.

(3) (ADJUST) "Adjustment to a Purchaser's Monthly Bill" means the amount of LB CRAC revenue over or under collection from that customer.

(4) (APP) "Augmentation Pre–Purchase" means a contract or other binding obligation entered into by BPA for the delivery of energy and/or capacity necessary to meet AAMT for that month with purchases made at least 120 days prior to that month. The methodology includes calculations using a "five-day rule" and in these calculations APP will be defined using the "five-day rule," rather than the "120-day rule."

(5) (BUYDOWN) "Cost of Load Buydown" means the costs BPA incurs to buydown load for the month.

(6) (CUSTREV) "Customer contribution to total revenue without LB CRAC" means the portion of the REVw/LBC contributed by a specific customer from loads subject to the LB CRAC, net of C&R and LDD discounts.

(7) (DIURNALAC) "Diurnal Augmentation cost" means the diurnal cost, in dollars, associated with meeting AAMT. Diurnal costs are calculated using monthly flat augmentation amount and the diurnal cost of meeting that augmentation amount.

(8) (LB CRAC%) "LB CRAC" means the percent applied to sales revenue for loads subject to the LB CRAC.

(9) (LBCREVREC) "Revenues Actually Received by BPA from the LB CRAC" means the actual amount of revenues actually received by BPA during the 6-month period from the sale of products subject to the LB CRAC. Separate amounts will be kept for Slice and Non-Slice. All are net of both C&R and LDD.

(10) (LOAD) "Load subject to LB CRAC" means the loads that are subject to the LB CRAC. Separate loads amounts will be determined for Slice and Non-Slice separately. (REVw/LBC). For Slice, Load is the 2,000 aMW at 100 percent Slice subscription.

(11) (MARR) "Monthly Augmentation Resale Revenues" means the revenue from the sales of augmentation.

(12) (NAC) "Net Augmentation Cost" means the augmentation cost that is to be recovered through application of the LB CRAC.

(13) (NACDIFF) "Difference in Net Augmentation Cost from replacing the 120-day time limit with the 5-day time limit" means the difference in the value of NAC using the 120-time limit for defining and APP and PRICE and using a 5-day time limit for defining APP and PRICE where both these calculations are made once after the close of a six-month period.

(14) (OC) "Option Cost" means the cost BPA incurs to shift risk.

(15) (PRICE) "Price for Augmentation not Pre-purchased" means the price per megawatthour (MWh) that will be used to determine the cost of purchases required to meet AAMT that do not meet the definition of APP.

(16) (RATE) "Rate without LB CRAC applied" means the rate applicable to loads subject to a LB CRAC before that LB CRAC has been applied to rates. Separate rates will be determined for Slice and Non-Slice.

(17) (REVDIFF) "Revenue Difference" means the amount of LB CRAC revenues that BPA actually over- or under-collected from purchasers of products subject to the LB CRAC during the six-month period. This will be determined separately for all Slice and all Non-Slice purchasers.

(18) (REVRATE) "Adjusted Rate" means the rate that applies to load subject to the LB CRAC for the upcoming six-month period. Separate values will be determined for Slice and Non-Slice, REVRATE(S) and REVRATE(NS), respectively.

(19) (REVw/LBC) "Actual revenues" means the revenue received by BPA on loads subject to the LB CRAC during the six-month period, net of C&R discount and LDD credit.

(20) (REVw/oLBC) "Baseline Revenues" means the revenues to BPA on loads subject to the LB CRAC, but before application of the LB CRAC. Separate calculations will be performed for Slice and non-Slice. It will be net of both the C&R Discount and LDD Credit.

(21) (SALESMAYAUG) "Sales of Existing Augmentation Quantity" means the resale of augmentation of 1,282 aMW not purchased by August 1, 2000, plus the amount of energy at $28.10/MWh melded into the DSI rate and collected through IP sales.

(22) (SALESNEWAUG) “Sales of New Augmentation Quantity” means the resale of the augmentation above that in SALEMAYAUG.

(23) (TAUGC) “Total Augmentation Cost” means the sum of the DIURNALAC for a given six-month period.

(24) (TARR) “Total Augmentation Resale Revenue” means the sum of the separate monthly MARR for a given six-month period.

(25) (TCAPP) “Total Cost of Augmentation Pre-Purchases” means the total cost of the APP made for a month.

(26) (TREVw/LBC) “Total Revenues with LB CRAC” means the sum of REVw/LBC(S) and REVw/LBC(NS).

(27) (TREVw/oLBC) “Total Revenues without LB CRAC” means the sum of REVw/oLBC(S) and REVw/oLBC(NS).

C. Procedure

BPA published five forecasted LB CRAC percentages in the Final Rate Proposal Record of Decision (ROD). Step One below addresses the determining the LB CRAC percent that will actually apply to the upcoming six-month period. Step Two below addresses the determination of any actual LB CRAC revenue over- or under-collection after the end of a six-month period.

(1) Step One is calculation of the LB CRAC percentage that will be applied in the upcoming six-month period. This LB CRAC percentage will be an update of the LB CRAC percentage contained in the ROD. On or about 90 days prior to the beginning of a six-month period, BPA will establish the LB CRAC percentage for that upcoming six-month period. The new rates with the LB CRAC will apply to purchasers’ bills. Using the process described in C(3) below, BPA will determine what data must be revised from that used to develop the LB CRAC percentages in the Final Proposal.

(2) Step Two is the calculation of any over- or under-collection of actual LB CRAC revenues for the most recently concluded six-month period. As is described below, this calculation does not require a new calculation of the LB CRAC percentage or rates. The actual LB CRAC revenue over or under collection will be established on or about 90 days after the end of the most recent

six-month period. Any such over or under collection will be treated separate from any charges for augmentation costs for the upcoming six-month period. A part of this determination involves revising data from that used to develop the LB CRAC in C(1).

(3) Prior to establishing the LB CRAC percentage, and any over or under collection, BPA will conduct a one-day workshop. This workshop will occur no later than 15 days prior to the date by which BPA must establish the LB CRAC percentage, or any over or under collection of actual LB CRAC revenues. This workshop will be publicly noticed. Prior to this workshop, BPA will make available to all participants BPA's proposed calculations used to develop the LB CRAC percentage consistent with the methodology described in Section D.

D. Revenue and cost calculations performed both before a six-month period and after that same six-month period

The calculations in this section are performed twice for each six-month period. Before the six-month period, these calculations are used to determine the LB CRAC percentage to be applied to that period. After the close of that six-month period, these calculations are used in determining the amount of any LB CRAC over or under collection.

(1) Calculating the DIURNALAC

In this calculation, BPA establishes the diurnal augmentation costs for each diurnal period for each month in the six-month period. Diurnal periods are used since costs to meet monthly augmentation, AAMT, vary diurnally.

The following calculations will be separately performed for the HLH in a month and the LLH in a month.

i. If APP is greater than AAMT,

DIURNALAC = (AAMT/APP) * [TCAPP]

ii. If APP is equal to AAMT,

DIURNALAC = TCAPP

iii If APP is less than AAMT,

DIURNALAC = [TCAPP] + [(AAMT-APP) * PRICE * Diurnal Hours]

(2) Once all the diurnal augmentation costs are determined, and the value of any BUYDOWN and OC are determined monthly, these will be summed to determine the Total Augmentation Cost (TAUGC) for the six-month period.

TAUGC = Sum of (DIURNALAC + BUYDOWN + OC)

(3) Calculating Monthly and Total Augmentation Resale Revenues

This calculation establishes the resale revenue amount to be subtracted from augmentation costs for the 6-month period.

MARR = [(SALESMAYAUG * $28.10) + (SALESNEWAUG * $19.26)] * Hours in the month

TARR = Sum of MARR for a 6-month period

(2) Once the TARR is established, the NAC will be determined. This is the amount of additional augmentation costs that must be recovered in an LB CRAC mechanism.

NAC = TAUGC - TARR

(3) This calculation determines the revenues BPA receives from loads subject to LB CRAC, but before the application of the LB CRAC. This is required to set a correct LB CRAC percentage.

REVw/oLBC(S) = RATE(S) * LOAD(S)

REVw/oLBC(NS) = RATE(NS) * LOAD(NS)

(4) Calculating Total Revenue from Loads subject to the LB CRAC before applying the LB CRAC percentage

TREVw/oLBC = REVw/oLBC(S) + REVw/oLBC(NS)

E. Calculation of the LB CRAC percentage for Slice and Non-Slice

Section E only occurs once for each six-month period. It is the method used to make the adjustment that will apply to the upcoming six-month period. When the six-month period is over, the rates that did apply for that period are not re-calculated. Rather, the analysis jumps to Section F.

(1) Calculating the LB CRAC Percentage

LB CRAC% = NAC/TREVw/oLBC

(2) Calculating the adustment

(i) Slice
The REVRATE for Slice is the actual monthly dollar charge per percentage Slice.

REVRATE(S) = [(REVw/oLBC(S) * LB CRAC%) + (REVw/oLBC(S) + C&R Discount+LDD]/100

(ii) Non-Slice
For Non-Slice, it is the rate that will apply to products subject to the LB CRAC.

REVRATE(NS) = RATE(NS) * [(REVw/oLBC(NS) * LB CRAC%) + (REVw/oLBC(NS) + C&R Discount + LDD)/(REVw/oLBC(NS) + C&R Discount + LDD)]

(3) Bill Adjustments

The REVRATE(S) and REVRATE(NS) will be applied to Slice and Non-Slice loads subject to the LB CRAC. It will be a replacement for the rate that would have otherwise appeared on the bill.

F. Determining over or under collection of revenues from the LB CRAC at the close of a six-month period.

Section F is applied once for each six-month period. It is applied only after a six-month period and is used to determine what over or underpayment occurred during that six-month period. There are five steps involved in this determination.

Step One: Calculate the LB CRAC revenues that were actually collected during the six-month period separately for Slice and non-Slice;
Step Two: Calculate the LB CRAC revenues that are needed to cover the actual augmentation costs, divided between Slice and non-Slice based on actual LB CRAC revenues;
Step Three: Calculate the difference between Step One and Step Two for Slice and non-Slice separately;

Step Four: Calculate the change in cost of meeting AAMT associated with using the 120-day rule for APP and PRICE and the five-day rule for APP and PRICE;

Step Five: Adjusting the bill.

(i) Step One

LBCREVREC(S) = REVw/LBC(S) – REVw/oLBC(S)

LBCREVREC(NS) = REVw/LBC(NS) – REVw/oLBC(NS)

(ii) Step Two

ACTUALLBCREVREQ(S) = NAC * (REVw/LBC(S)/TREVw/LBC)

ACTUALLBCREVREQ(NS) = [NAC * (REVw/LBC(NS)/TREVw/LBC)]

(iii) Step Three

REVDIFF(S) = LBCREV(S) - ACTUALLBCREVREQ(S)

REVDIFF(NS) = LBCREV(NS) - ACTUALLBCREVREQ(NS)

(iv) Step Four

In this step, the difference in cost associated with meeting AAMT for the six-month period is determined. This difference is determined by calculating NAC using the 120-day rule for the definition of APP and the value of PRICE and the NAC using the five-day rule for the definition of APP and the value of PRICE. For this step only, these results will be referred to NAC(120) and NAC(5), respectively. The difference will be referred to as NACDIFF.

(v) Step Five

There will be a separate line item on a purchaser's bill reflecting any such over or under collection. The method to determine any such adjustment is described below and referred to here as ADJUST(S) for Slice and ADJUST(NS) for Non-Slice.

(a) Bill Adjustment for a Slice Purchaser

ADJUST(S) = REVDIFF(S) * [CUSTBASEREV(S)/REVw/LBC(S)]

(b) Bill Adjustment for a Non - Slice Purchaser

ADJUST(NS) = {REVDIFF(NS) * [CUSTBASEREV(NS)/REVw/LBC(NS)]}+NACDIFF

2. Financial-Based Cost Recovery Adjustment Clause

The FB CRAC is a temporary, upward adjustment to posted power rates for non-Slice Subscription sales which occurs if end-of-year Accumulated Net Revenues (ANR) in the generation function are forecasted to fall below a threshold level.

The FB CRAC applies to power customers under these firm power rate schedules: PF Preference [(PF excluding Slice), Exchange Program, and Exchange Subscription], Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, Residential Load (RL-02), New Resource Firm Power (NR-02), and Subscription purchases under Firm Power Products and Services (FPS). The FB CRAC does not apply to Pre-Subscription rates, Slice purchases, or the 900 aMW financial portion of any REP Settlement. The FB CRAC does apply to Slice purchases and the 1,000 aMW power sale portion of the REP Settlement, including where power sales are converted to financial benefits under the Settlement.

a. Formula for Calculation of the Financial-Based Cost Recovery Adjustment Clause

By mid-August of the FY immediately prior to each FY of the rate period (*i.e.,* FY 2002-2006), a forecast of that end-of-year ANR will be completed. If the ANR at the end of the forecast year falls below the FB CRAC Threshold applicable to that FY, the FB CRAC will trigger, and a CRAC rate increase will go into effect beginning in October of the upcoming fiscal year.

The Revenue Amount will be determined by the following formula:

Revenue Amount is the lower of:

FB CRAC Threshold minus forecasted ANR;

or

The annual Maximum Planned Recovery Amount, shown in Table B below.

Where Revenue Amount is the amount of additional revenue that an increase in rates under FB CRAC is intended to generate during the period that the rate increase is effective.

Where FB CRAC Threshold is the "trigger point" for invoking a rate increase under the FB CRAC. The threshold is pre-specified for the end of FY 2001, 2002, 2003, 2004, and 2005, in Table B.

Where ANR is generation function net revenues, as accumulated since 1999, at the end of each of the FY 2001-2005. Audited Actual Accumulated Net Revenues (AANR), confirmed by BPA's independent auditing firm, will be used for FY 1999, and 2000, and any subsequent year for which they are available. Unaudited AANR will be used to the extent audited actuals are not available.

The expected value of a probabilistic forecast of ANR through the end of each FY will be calculated and used to determine if the threshold has been reached, and what the Revenue Amount is. Net revenues for any given FY are accrued revenues less accrued expenses, in accordance with Generally Accepted Accounting Practices, with the following two exceptions. First, for purposes of determining if the FB CRAC threshold has been reached, actual and forecasted expenses will include BPA expenses associated with Energy Northwest debt service as forecasted in the WP-02 Final Studies. Second, the impact of adopting Financial Accounting Standard 133, Accounting for Derivative Instruments and Hedging Activities, will not be considered in determining if the CRAC threshold has been reached. Only generation function revenues and expenses, which is to say revenues and forecasted expenses that are associated with the production, acquisition, marketing, and conservation of electric power, will be included in determinations under the FB CRAC. Accrued revenues and expenses of the transmission function are excluded.

Where Maximum Planned Recovery Amount is the maximum annual amount planned to be recovered through the FB CRAC.

Table B

Fiscal Year	FB CRAC Threshold (ANR)	Maximum Planned Recovery Amount (Beginning Following March)
2001	$ -268M	NONE
2002	$ -290M	$135 M
2003	$ -148M	$150 M
2004	$ -181M	$1500 M
2005	$ -181M	$175 M

Once the Revenue Amount is determined, that amount will be converted to the FB CRAC Percentage. The FB CRAC Percentage is the percentage increase in customers' rate (not including LB CRAC) in each of the firm power rate schedules listed above. This percentage will be applied to generate the additional FB CRAC revenue.

The FB CRAC Percentage will be determined by the following formula:

FB CRAC Percentage =
Revenue Amount
Divided by
FB CRAC Revenue Basis

For FY 2002, the FB CRAC Revenue Basis is the total generation revenue (not including LB CRAC) for the loads subject to FB CRAC for the FY in which the FB CRAC implementation begins, based on the then most current revenue forecast. For FYs 2003-2006, FB CRAC Revenue Basis is the total generation revenue (not including LB CRAC) for the loads subject to FB CRAC plus Slice loads for the FY in which the FB CRAC implementation begins, based on the then most current revenue forecast. Each non-Slice product's total charge for energy, demand, and load variance will be increased by this CRAC percentage amount.

Rate increases under the FB CRAC will be due in 12 monthly payments from November (for the October billing period) through October of the following year.

b. **FB CRAC Adjustment Timing**

In August prior to each year of the rate period, the Administrator will determine whether the expected value of the ANR forecast at the end of that current FY is below the FB CRAC Threshold. If the ANR is forecasted to fall below the FB CRAC Threshold, the Administrator will propose, by the end of August, to assess a cost recovery adjustment to applicable rates for power deliveries beginning in October.

Each customer will be notified, on or about September 1st, of the percentage increase in rates due to the FB CRAC. The rates used to calculate the customers' bills for the following October through September will reflect the FB CRAC increase.

c. **FB CRAC Notification Process**

BPA shall follow the following notification procedures:

(1) **Financial Performance Status Reports**

Each quarter, BPA shall post on its electronic information access (World Wide Web) site, preliminary, unaudited, year-to-date aggregate financial results for generation, including ANR.

By January of each year, BPA shall post on its web site the audited AANR attributable to the generation function for the prior FY ending September 30.

In May and August of each year, BPA shall post on its web site an end-of-year forecast of ANR attributable to the generation function.

(2) **Notice of FB CRAC Trigger**

BPA shall complete and adopt a probabilistic forecast of end-of-year ANR in August of each year. BPA shall notify all customers and rate case parties by the end of August, in each of the FYs 2001-2005, if the expected value of ANR is forecasted to fall below the FB CRAC Threshold for that FY and, if so, the extent to which BPA intends to adjust rates under the FB CRAC. Notification will include the audited AANR for the prior FY, the forecast of end-of-year ANR, the calculation of the Revenue Amount, and the FB CRAC Percentage. The notice shall also describe the data and assumptions relied upon by BPA. Such data, assumptions and documentation, if non-proprietary and/or non-privileged, shall be made available for review at BPA upon request. The notice shall also contain the tentative schedule for the remainder of the FB CRAC implementation process.

In early September, for any year in which the ANR is forecasted to fall below the FB CRAC Threshold, BPA staff shall conduct a public forum to explain the ANR forecast, the calculation of the Revenue Amount and the FB CRAC Percentage, and demonstrate that the FB CRAC has been implemented in accordance with the

GRSPs. The forum will provide an opportunity for public comment.

On or about September 30 of any fiscal year in which the ANR is forecasted to fall below the FB CRAC Threshold, the Administrator shall provide all customers the calculation of the adjustment and the resulting rate increase (as a percentage) applicable to each rate schedule.

d. **True-up**

There will be an opportunity for truing-up the FB CRAC Revenue Amount and each customer's portion of it, based on updated data. When audited actuals are available, in January in the year subsequent to the FB CRAC being implemented, the AANR will be compared to the ANR forecast used to implement the FB CRAC. If the forecasted amount is within $5 million of the AANR (the tolerance), no true-up will be made. If AANR differs from the forecast by more that the tolerance, an adjustment will be made in customer bills for the second half of the year. The adjustment will be made as follows:

FB CRAC Adjustment =
(difference between the originally-calculated FB CRAC Revenue Amount and Revenue Amount calculated using AANR)
divided by
generation revenue (not including LB CRAC) for the loads subject to FB CRAC, as forecasted for power deliveries for April through September.

The resulting percentage will be used to adjust the FB CRAC Percentage applied to each customer's bills for April through September. The total amount collected, however, will not exceed the Maximum Planned Recovery Amount.

3. Safety-Net Cost Recovery Adjustment Clause

A Safety-Net CRAC will be available if the Administrator determines that, after implementation of the FB CRAC and any Augmentation True-Ups, either of the following conditions exist:

- BPA forecasts a 50 percent or greater probability that it will nonetheless miss its next payment to Treasury or other creditor, or
- BPA has missed a payment to Treasury or has satisfied its obligation to Treasury but has missed a payment to any other creditor.

The SN CRAC will be an upward adjustment to posted power rates that are subject to the FB CRAC. The SN CRAC applies to power purchases under the following firm power rate schedules: PF Preference [PF (Exchange) and RL (Subscription Settlement)], Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, New Resource Firm Power (NR-02), Subscription purchases under Firm Power Products and Services (FPS), and both the actual power deliveries and the financial portion of the Residential Exchange Settlement. The SN CRAC does not apply to Pre-Subscription or Slice contracts.

The SN CRAC will be an upward adjustment to posted power rates subject to the FB CRAC. The SN CRAC will modify the FB CRAC parameters. BPA will propose changes to the FB CRAC parameters that will, to the extent market and other risk factors allow, achieve a high probability that the remainder of Treasury payments during the FY 2002-2006 rate period will be made in full. BPA's proposal could include changes to the Revenue Amount, the duration (the length of time the SN CRAC would be in place, which could be more than one year), and the timing of collection. The additional revenue to be generated by the SN CRAC will be collected through a uniform percentage increase in all rates subject to the FB CRAC.

SN CRAC Notification Process

At the time the Administrator determines that the SN CRAC has triggered, BPA will send written notification of the determination to customers that purchase power under rates subject to the FB CRAC and to interested parties. Such notification shall include the documentation used by BPA to determine that the SN CRAC has triggered, the amount of any forecast shortfall, and the time and location of a workshop on the SN CRAC.

The purpose of the SN CRAC workshop will be to discuss with customers and interested parties the cause of shortfall, and any proposed changes to the FB CRAC that will achieve a high probability that the remainder of Treasury payments during the FY 2002-2006 rate period will be made timely. In determining which proposal to include in its initial proposal in the SN CRAC Section 7(i) proceeding, BPA will give priority to prudent cost management and other options that enhance Treasury Payment Probability while minimizing changes to the FB CRAC.

SN CRAC Hearing Process

As soon as practicable after a determination that the SN CRAC has triggered, BPA will publish a Federal Register notice initiating an expedited hearing process to be conducted in accordance with Section 7(i) of the Northwest Power Act. The hearing shall be completed within 40 days, unless a different duration is agreed to by the parties. Upon completion of such hearing, BPA will submit the following documentation in support of a request for review and confirmation: Statements A through F from the 2002 BPA Wholesale Power Rate Adjustment Proceeding, Separate Accounting Analysis, current and revised revenue tests, the proposed revisions to the FB CRAC parameters and the administrative record compiled by BPA in the SN CRAC proceeding.

The changes to the FB CRAC parameters shall take effect 61 days from filing with FERC unless FERC orders otherwise prior to that time.

H. Dividend Distribution Clause

The DDC is a clause establishing criteria that the Administrator will use to decide whether dividends are to be distributed and the dividend amount that is to be distributed. The DDC enables BPA to distribute dividends to eligible firm power customers and establishes the mechanism to be used to make a distribution.

The DDC applies to power customers under these firm power rate schedules:
PF Preference [(PF excluding Slice), Exchange Program, and Exchange Subscription and the financial portion of any Residential Exchange Settlement], Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, Residential Load (RL-02), New Resource Firm Power (NR-02), and Subscription purchases under Firm Power Products and Services (FPS). The DDC does not apply to Pre-Subscription rates, or Slice purchases under this rate schedule.

1. Formula for the Calculation of the Dividend Distribution Amount

The DDC process will be implemented if audited AANR for the end of any of the FY 2002-2005 are above the DDC Threshold value.

AANR are generation function net revenues, as accumulated since 1999, at the end of each of the FY 2002-2005. Net revenues are accrued revenues less accrued expenses, in accordance with Generally Accepted Accounting Practices, with the following exceptions. For purposes of determining if the DDC threshold has been reached, actual and forecasted expenses will include BPA expenses associated with Energy Northwest debt service as forecasted in the May 2000 WP-02 Final Studies. The impact of adopting Financial Accounting Standard 133, Accounting for Derivative Instruments and Hedging Activities, will not be considered in determining if the CRAC threshold has been reached. Only generation function revenues and expenses, which is to say accrued revenues and accrued expenses that are associated with the production, acquisition, marketing, and conservation of electric power, are included in determinations under the DDC; accrued revenues and expenses of the transmission function are excluded. The determination of AANR will be confirmed by BPA's independent outside auditing firm.

DDC Threshold is the minimum level of AANR that must be realized before a dividend distribution is made. The DDC Threshold is $1,110 million for the end of FY 2002, $852 million for the end of FY 2003, and $ 519 million for the end of FYs 2004, and 2005.

The DDC threshold for any fiscal year will be adjusted upward by the following:

1. In the event that there has been a power system emergency (as defined in "FCRPS Protocols for Emergency Operation In Response to Generation or Transmission Emergencies" dated September 22, 2000, or replacement protocols) during the fiscal year; and BPA has agreed to provide additional funding to mitigate the impact of the emergency operations on fish and wildlife, any of the additional emergency-related fish and wildlife funding which BPA has not spent during that fiscal year will be added to the threshold amount for that year; and/or

2. In the event that BPA fish and wildlife operations and maintenance ("direct program") costs previously budgeted for expenditure in that FY but were not spent, and for which a need continues, will be added to the threshold amount for that year.

DDC Amount is the aggregate amount that is available to be distributed to customers and stakeholders. The DDC Amount may be equal to zero and will be determined by the following formula:

DDC Amount =
AANR - DDC Threshold, as adjusted

The first $15 million of the DDC Amount, if the DDC Amount exceeds $15 million, or the entire DDC Amount if it equals $15 million or less, will be allocated to qualifying customers' participating in the C&R Discount.
The C&R Discount is a rate mechanism designed to encourage incremental conservation and renewable resource development by BPA's power purchasers under PF, IP, RL, and NR rate schedules. *See* C&R Discount GRSPs, Section II.A.

The remaining DDC Amount, the Customer DDC Amount, will be returned to power customers. Any dividends to customers will be made in proportion to the DDC Customer Revenue Amount, which is the revenue BPA received from each customer under rates subject to the DDC since the beginning of the rate period, or since the last DDC, whichever is later. A customer's revenue excludes Slice revenues, and includes all CRAC revenues. The IOU financial benefit is included based on the number of aMW any customer received under the benefit times the RL rate in effect at the time the benefit was provided.

DDC Percentage =
Each customer's DDC Customer Revenue Amount
divided by
sum of all Customer Revenue Amounts

Each covered power customer will receive a rebate equal to the Power Customer DDC Percentage applied to their total charge for energy, demand and load variance.

2. Determination and Timing of a Dividend Distribution

In January of each year of the rate period (FY 2003-2006), the Administrator will determine whether the AANR exceeds the DDC Threshold. If the AANR exceeds the DDC Threshold, customers and rate case parties will be so notified. By March 1, the Administrator will provide calculations of any proposed distribution of dividends. The Administrator will issue a final decision on the proposal on or about April 15.

Dividends distributed to customers are included in energy deliveries beginning May 1, and, for any FY 2003-2005, remain in effect for 12 months *i.e.*, through April 30 of the following year. In the last year of the rate period (FY 2006), the rebate would expire on September 30, 2006.

3. Determining How the Distribution is Allocated

The first $15 million of the DDC Amount, if the DDC Amount exceeds $15 million, or the entire DDC Amount if it equals $15 million or less, will be allocated to qualifying customers' participating in the C&R Discount.
The C&R Discount is a rate mechanism designed to encourage incremental conservation and renewable resource development by BPA's power purchasers under PF, IP, RL, and NR rate schedules. *See* C&R Discount GRSPs, Section II.A.

4. Dividend Distribution Notification Process

BPA shall follow the following notification procedures:

a. **Financial Performance Status Reports**

By no later than August 31 of each year, BPA shall post on its electronic information access site (World Wide Web) a forecast of AANR attributable to the generation function for the FY ending September 30.

b. **Notice of DDC Trigger**

On or about January 15 in each of the FY 2003-2006, BPA will notify all power customers and rate case parties if the AANR exceeds the DDC Threshold. (If the December unaudited AANR report for the generation function indicated that the DDC Threshold might be exceeded, and the audited actuals show that it was not exceeded, customers will also be notified).

1. On or about March 1 of any of the FY 2003-2006 in which the AANR exceeds the DDC Threshold, the Administrator will notify all power customers and rate case parties of the calculations for any dividend. Notification will include the AANR for the prior FY, the DDC Amount, the calculation of any adjustments to the threshold, calculation of the DDC Amount, the sum of Customer Revenue Amounts, and the resulting each customer's proposed DDC percentage. The notice shall also describe the data and assumptions relied upon by BPA. Such data, assumptions, and documentation, if non-proprietary and/or non-privileged, shall be made available for review at BPA upon request. The notice shall also contain the tentative schedule for the remainder of the DDC implementation process.

   During March, BPA will conduct a public review and comment process on the proposal.

2. On or about April 15 of any of the FY 2003-2006 in which the AANR exceeds the DDC Threshold, BPA shall notify customers to which the DDC applies of the decision on the proposal, the final calculation of the DDC Amount, the allocation of the DDC Amount, and, if applicable, the resulting level of the Power Customer DDC Percentage to be applied to each applicable firm power rate schedule.

J. Five-Year Flat Block Price Forecast

The Five-Year Flat Block Price Forecast is BPA's price estimate of the market price for five-year block purchases for the FY 2002-2006 period. This forecast is used in calculating the cash component of the settlements of the Residential Exchange Program with regional IOUs as described in BPA's Power Subscription Strategy. The Five-Year Flat Block Price Forecast for this purpose is $38 per MWh.

S. Slice True-Up Adjustment

Each year, when the audited actual Slice Revenue Requirement for the previous fiscal year is available, BPA will calculate the final true-up for the previous fiscal year. BPA will calculate the final true-up for the previous fiscal year based on the difference between the Slice Revenue Requirement's audited actual expenses (and credits) and those expenses (and credits) forecasted in the 2002 Power rate case. This true-up will be the True-Up Adjustment Charge and will be applied to the customer's bills. *See* the Slice Product Costing and True-Up Table (Table D). Adjustments to the MWs used in the Inventory Solution will be trued up using the formula in Table E. Section F(1) contains the methodology BPA will rely on to adjust Inventory Solution costs to fluctuations in BPA's augmentation costs. Section X contains the methodology for adjusting the monthly Slice bill to reflect the increased value of the financial portion of the IOU Settlement.

X. Slice Portion of IOU Settlement

Each monthly Slice bill will include a line item to account for the proposed increment in the IOU cash settlement above the May Proposal.

The monthly adjustment per one-percent Slice is proposed to be:
[Incremental amount of IOU Settlement costs in the Supplemental Rate Case ROD/12/100] = $ per month per one-percent Slice.